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*Attorneys for Debtors
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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X	
In re	:
	:
SEARS HOLDINGS CORPORATION, et al.,	:
	:
	:
Debtors.¹	:
-----X	

**Chapter 11
Case No. 18-23538 (RDD)
(Jointly Administered)**

**NOTICE OF FILING OF SETTLEMENT TERM SHEET
WITH PENSION BENEFIT GUARANTY CORPORATION**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

PLEASE TAKE NOTICE that on February 6, 2019, the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”), entered into a settlement (the “**PBGC Settlement**”) with the Pension Benefit Guaranty Corporation (“**PBGC**”, and together with the Debtors, the “**Parties**”).

PLEASE TAKE FURTHER NOTICE that the signed term sheet summarizing the PBGC Settlement, as agreed to by the Parties, is attached hereto as **Exhibit A**.

PLEASE TAKE FURTHER NOTICE that the Debtors will be promptly documenting the PBGC Settlement with the PBGC and will seek approval of the PBGC Settlement by the Bankruptcy Court on notice to the Parties.

Dated: February 8, 2019
New York, New York

/s/ Ray C. Schrock, P.C.
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Exhibit A

PBGC Settlement Term Sheet

Sears Holdings Corporation's and its Affiliated Debtors' Settlement Proposal

1. **Parties.**

a. Sears Holdings Corporation ("SHC") and its affiliated chapter 11 debtors (together with SHC, collectively, the "Debtors").

b. PBGC.


2. **Approval of Debtors' Restructuring Committee.** The Debtors represent and warrant that this term sheet has been approved by the Debtors' Restructuring Committee, including the members of the Restructuring Subcommittee.
3. **Withdrawal of Objection to ESL Sale.** Upon the parties' execution of this term sheet, PBGC shall immediately withdraw its objection to the ESL Sale.
4. **Performance Not Contingent Upon Closing.** Should the ESL Sale not close, the obligations set forth in the term sheet, including those set forth in paragraph 13, shall still apply.
5. **Termination of Pension Plans.** SHC and PBGC agree to consensual termination of Sears Pension Plan and Kmart Pension Plan, effective January 31, 2019. Within one business day of the parties' execution of this term sheet, SHC and PBGC shall execute a Trusteeship Agreement with respect to the Pension Plans. Within one business day of SHC and PBGC's execution of the Trusteeship Agreement, PBGC shall withdraw the Complaint filed by PBGC on 2/1/2019 seeking entry of a decree terminating the Pension Plans.
6. **Release of Underfunding Claims Held Against Debtors.** Under the terms of the Debtors' chapter 11 plan, PBGC shall grant a full release of all pension funding and UBL claims against all Debtors, other than the agreed UBL claim and Secured Note Claim, each described below. But all of PBGC's pension funding, UBL claims, and claims and rights under the PPPFA and all related agreements (each as amended) against non-Debtor members of the SHC controlled group, including, without limitation, KCD IP, LLC ("KCD") and Sears Reinsurance Company, Ltd. ("Sears Re"), shall remain in full force and effect and not impaired in any respect whatsoever.
7. **PBGC Termination Premium.** Under the terms of the Debtors' chapter 11 plan, PBGC agrees not to assert PBGC plan termination premium claims (ERISA 4006(a)(7)) against

any Debtor, including as a claim in bankruptcy. But PBGC shall retain its right to assert all such claims against all non-Debtor members of the SHC controlled group and such claims shall remain unimpaired in every respect.

8. **PBGC Support for the Debtors' Chapter 11 Plan.** Subject to court approval of a disclosure statement, PBGC agrees to vote in favor of the Debtors' chapter 11 plan so long as the terms of such chapter 11 plan incorporate the terms of this term sheet and are not otherwise adverse to the treatment of PBGC or PBGC's claims or rights as set forth in this term sheet. The Debtors agree that any chapter 11 plan proposed by the Debtors shall incorporate the terms of this term sheet and not contain additional terms that differ from or are otherwise adverse to the treatment of PBGC or PBGC's claims or rights as set forth in this term sheet. Consistent with the foregoing prohibition, the Debtors agree that they will not propose a chapter 11 plan that seeks to substantively consolidate any Debtors' estates.
9. **PBGC Support for Waiver of KCD Administrative Expense Claims.** PBGC agrees to all reasonably requested actions by the Debtors to ensure that any claims of KCD against the Debtors are waived in total. PBGC agrees to waive the assertion of any administrative or superpriority administrative expense claim in the Debtors' chapter 11 cases.
10. **PBGC Agreed UBL Claim.** Under the terms of the Debtors' chapter 11 plan, PBGC receives an allowed general unsecured claim against each Debtor in the reduced amount of \$800 million.
11. **PBGC Agreed Secured Note Claim.** Under the terms of the Debtors' chapter 11 plan, PBGC will on the effective date thereof receive, in addition to the agreed UBL claim, a senior, secured non-interest bearing note or other first priority interest evidencing the Debtors' joint and several obligations to PBGC in the amount of \$80 million. Such note will have a first priority lien against (and sole recourse to) any net proceeds of estate avoidance actions successfully pursued on behalf of the Debtors' estates on or after October 15, 2018.
12. **Release of PBGC.** Upon approval of the settlement by the Court, the Debtors and their estates and the PBGC each fully waive and release any and all claims or causes of action against PBGC and/or the Pension Plans, and the Debtors, respectively, other than the PBGC's and the Debtors' rights to enforce the rights and obligations under this term sheet.
13. **Agreement to Promptly Document Settlement and Pursue Court Approval.** Each of the parties agrees to take all reasonable actions to promptly document the terms of this action in a settlement agreement and restructuring support agreement. The Debtors agree to prosecute a motion for court approval of the settlement upon regular notice immediately following completion and execution of such documentation. The Debtors further agree to edit the proposed sale order, as may be requested by PBGC, to clarify

that the proposed sale order, if approved, will not impair any of PBGC's rights or claims against the non-Debtor members of the SHC controlled group or ESL.

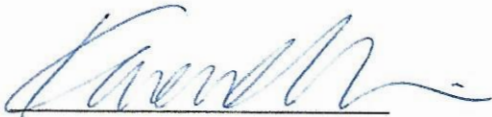
Agreed this 6th day of February 2019.



Sears Holdings Corporation and its wholly owned subsidiaries

By: MORSIN Y. MEGHJI

Its: CHIEF RESTRUCTURING OFFICER



PBGC

By: Karen Morris

Its: Chief of Negotiations and Restructuring